

Diagnostic Study of Accounting and Auditing Practices in the Republic of the Fiji Islands

Prepared Under Regional Technical Assistance (RETA)
5980: *Diagnostic Study of Accounting and Auditing Practices
in Selected Developing Member Countries*

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Preface

This report was prepared under Regional Technical Assistance (RETA) 5980: *Diagnostic Study of Accounting and Auditing Practices in Selected Developing Member Countries* for the Asian Development Bank (ADB) by Francis B. Narayan, Lead Financial Management Specialist, ADB; Sarath Lakshman Athukorala, Financial Management Specialist, ADB; Barry C. Reid, Consultant, ADB and Lynette Simpson (on temporary secondment from the Office of the Auditor General).

This report describes accounting and auditing arrangements in the Republic of the Fiji Islands (Fiji Islands), identifies deficiencies in those arrangements, and presents recommendations to address those deficiencies. It is part of the ADB series of country Diagnostic Studies of Accounting and Auditing (DSAAs). In 2000, DSAAs were completed and published for Cambodia, Mongolia, Pakistan, Papua New Guinea, People's Republic of China, Uzbekistan, and Viet Nam. In 2001-02, DSAAs were prepared for five further countries, including Fiji Islands.

The contents of the draft report were discussed and debated with representatives from the Government, the accountancy profession, the private sector and international organizations at a workshop held at Suva on 6-7 February 2002. The issues and recommendations were further discussed at an international workshop at ADB headquarters in Manila on 5-6 March 2002.

This report should be read in conjunction with the Summary Report, which identifies and examines selected issues in relation to accounting and auditing.¹

The authors would like to offer their appreciation to the numerous officials and agencies that gave up their valuable time and made materials available during the course of the research. In particular we would like to thank: Peter N. King (Director, Pacific Operations Division, ADB) and Samiuela T. Tukuafu (Financial Management Specialist, ADB) for moderating the Manila workshop session at which this report was discussed; and Sila Kotobalavu (Permanent Secretary for Finance), Thuy Mellor (Financial Management Specialist, ADB) and Dhiraj L. Hemraj (Partner, PricewaterhouseCoopers) for their support and guidance.

Our special appreciation is to Eroni Vatuloka (Auditor General) and Paula Uluinaceva (Acting Director, Budget Management, Ministry of

¹ ADB. 2002. *Accounting and Auditing Practices in Selected Developing Member Countries: A Diagnostic Study of Azerbaijan, Fiji Islands, Marshall Islands, Philippines and Sri Lanka*. Manila: ADB.

Finance and National Planning) for their involvement throughout the study and their representation at the Manila workshop.

For further information, please visit ADB's website at www.adb.org or contact:

Sarath Lakshman Athukorala
Financial Management Specialist
Asian Development Bank
6 ADB Avenue
Mandaluyong City, Metro Manila
P. O. Box 789
0980 Manila, Philippines

Tel. (632) 632-6626
Fax: (632) 636-2365
E-mail: slathukorala@adb.org

ADB Diagnostic Studies of Accounting and Auditing

The Asian Development Bank (ADB) publishes this series to: (i) provide reference materials on accounting and auditing for government officials, ADB officials, officials from other donor agencies, and other interested parties; (ii) identify potential actions that the participating government and/or the accounting profession can take to rectify weaknesses, in partnership with donor agencies where appropriate, and (iii) provide the participating country with a benchmark against which to measure their progress in improving financial management and governance arrangements.

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Summary Reports

Accounting and Auditing Practices in Selected Developing Member Countries (DMCs): A Diagnostic Study of Azerbaijan, Fiji Islands, Marshall Islands, Philippines, and Sri Lanka. 2002.

Financial Management and Governance Issues in Selected Developing Member Countries (DMCs): A Study of Cambodia, People's Republic of China, Mongolia, Pakistan, Papua New Guinea, Uzbekistan, and Viet Nam. 2000.

Individual Reports: By ADB Region

All ADB DMCs are listed by region. Economies for which a DSAA has been prepared are bolded and the year of publication is shown in brackets:

East and Central Asia: **Azerbaijan** (2002); **People's Republic of China** (2000); Hong Kong, China; Kazakhstan; Kyrgyz Republic; Republic of Korea; **Mongolia** (2000), Tajikistan; Taipei, China; Turkmenistan; and **Uzbekistan** (2000).

Mekong: **Cambodia** (2000), Lao People's Democratic Republic, Myanmar; Thailand, **Viet Nam** (2000).

Pacific: Cook Islands, Democratic Republic of East Timor, **Fiji Islands** (2002), Kiribati, Republic of the **Marshall Islands** (2002), Federated States of Micronesia, Nauru, **Papua New Guinea** (2000), Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu.

South Asia: Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, **Pakistan** (2000), **Sri Lanka** (2002).

Southeast Asia: Indonesia, Malaysia, **Philippines** (2002), Singapore.

CURRENCY EQUIVALENTS

(as at 31 March 2002)

Currency Unit – Fiji Dollar (F\$)

F\$1.00 – \$0.44723

\$1.00 – F\$2.2360

ABBREVIATIONS

AASC	Accounting and Auditing Standards Committee
ACAG	Australasian Council of Auditors General
ADB	Asian Development Bank
ASCPA	Australian Society of Certified Practising Accountants
AusAID	Australian Agency for International Development
CAP	Country Assistance Plan
CAPA	Confederation of Asian and Pacific Accountants
CFAA	Country Financial Accountability Assessment
CMDA	Capital Markets Development Authority
CPA	Certified Public/Practicing Accountant
CPE	Continuing Professional Education
CPP	Certificate of Public Practice
DMC	Developing Member Country
ED	Exposure Draft
EFTS	Equivalent Full-Time Students
FAPS	Fiji Auditing Practice Statement
FAS	Fiji Accounting Standard
FDB	Fiji Development Bank
FDI	Foreign Direct Investment
FIA	Fiji Institute of Accountants
FIRCA	Fiji Islands Revenue and Customs Authority
FIT	Fiji Institute of Technology
FMR	Financial Management Reform
FNPF	Fiji National Provident Fund
FNTC	Fiji National Training Council
FSA	Fiji Standard on Auditing
GATS	General Agreement on Trade in Services
GDP	Gross Domestic Product
GNP	Gross National Product
IAASB	International Auditing and Accounting Standards Board

IAPC	International Auditing Practices Committee
IAPS	International Auditing Practice Statement
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IASC	International Accounting Standards Committee
ICANZ	Institute of Chartered Accountants of New Zealand
IEG	International Education Guideline
IES	International Education Standard
IFAC	International Federation of Accountants
IMF	International Monetary Fund
INCOSAI	International Conference of Supreme Audit Institutions
INTOSAI	International Organization of Supreme Audit Institutions
IOSCO	International Organization of Securities Commissions
IPSAF	Institute of Public Sector Accountants of Fiji
IPSAS	International Public Sector Accounting Standard
ISA	International Standard on Auditing
ISAR	Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting of the UNCTAD
JICA	Japan International Cooperation Agency
LIFO	Last-in First-out
MOFANP	Ministry of Finance and National Planning
MPEAPSR	Ministry of Public Enterprises and Public Sector Reform
MQR	Minimum Qualification Requirement
NBF	National Bank of Fiji
NLTB	Native Land Trust Board
NZAID	New Zealand Agency for International Development
NZSA	New Zealand Society of Accountants
OAG	Office of the Auditor-General
OECD	Organisation for Economic Cooperation and Development
PDMC	Pacific Developing Member Country
PFMA	Public Finance Management Act
PFTAC	Pacific Financial Technical Assistance Center
PIER	Pacific Islands Economic Report
PSC	Public Service Commission
RBF	Reserve Bank of Fiji
RETA	Regional Technical Assistance
ROSC	Report on the Observance of Standards and Codes
RTA	Registered Tax Agent
SAI	Supreme Audit Institution

SOE	State-owned Enterprise
SPASAI	South Pacific Association of Supreme Audit Institutions
TA	Technical Assistance
TRB	Tax Registration Board
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
US	United States
USAID	United States Agency for International Development
USP	University of the South Pacific
WTO	World Trade Organization

Notes

- (i) The fiscal year of the Government ends on 31 December.
- (ii) In this report, \$ refers to US dollars.

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Executive Summary

Background

The Fiji Islands are located in the south-west Pacific Ocean. Seventy percent of Fiji Islanders reside on the large island of Vitu Levu. The Fiji Islands became a British colony in 1874 and around 60,000 indentured laborers were brought from India in 1879–1916 to work in the sugarcane fields.

The country's population is now around 811,000 and mainly comprises (indigenous) Fijians (50 percent) and Indo-Fijians (45 percent). The Fiji Islands became independent from Britain in 1970. In 1987, a military-backed coup d'état removed an elected government from office. Although democracy was restored in 1999, an Indo-Fijian-led government was forced from office in May 2000. Democracy was again restored at the end of 2001.

Since 1987, emigration levels have been extremely high: particularly of skilled and professional personnel. More than 70,000 people emigrated in the aftermath of the 1987 coup, 90 percent of these were Indo-Fijians. Emigration increased significantly following the events of May 2000.

While the Fiji Islands is one of the most developed Pacific Island economies, it remains a developing country with a large subsistence agriculture sector. Tourism has expanded rapidly since the early 1980s and is now the leading economic activity. Other significant sectors include sugar and garments; each accounts for about one-quarter of export revenues.

The government-owned National Bank of Fiji (NBF) nearly collapsed in the mid-1990s. The subsequent government bailout, while politically inevitable, cost the economy dearly. NBF's collapse was largely due to poor supervision and poor corporate governance.

Aside from political uncertainty, the key economic management issues include the instability of the sugar industry due to expiring land leases and the expected cessation of the Lomé Agreement, poor productivity in the sugar industry, and uncertainty in the garment industry over the future of preferential trading agreements with Australia.

Challenges and Responses

The key to sustained development is substantially higher private investment. Investment, has been very low in the Fiji Islands for many years: private investment averaged only 5 percent of GDP in the 1990s. The major constraints to Fiji Islands' financial sector development have been identified

as: (i) an inadequate economic environment; (ii) public sector domination; (iii) excessive government regulation; (iv) land tenure and leasing problems; (v) cultural and communal concerns; (vi) inadequate human resource skills; (vii) considerable government intervention in the financial sector; (viii) a need for standardized accounting practices; (ix) slow capital market development; (x) money and bond market distortions; (xi); inadequate market supervision; (xii) outdated corporate and bankruptcy laws; (xiii) constraints on the Fiji Development Bank (FDB); (xiv) constraints on microfinance; and (xv) education and training shortcomings.

With regards to the core public sector, accountability breakdowns continue to make headlines. Most recently, it has been alleged that the Agriculture Ministry has misused F\$16 million. In particular, it appears that civil servants ignored procurement, appropriation, and accounting rules.

The Government has publicly declared that curbing corruption and other unethical behavior is an integral part of its effort to promote transparency, integrity and good governance, and has announced several responsive measures. Furthermore, among other things, the Government announced—in the 2002 *Budget Address* and in the 2002 *Economic and Fiscal Update*—that it would:

- Establish a *Financial Intelligence Unit* to counter money-laundering practices.
- Reactivate the suspended Financial Management Reform (FMR) program. These reforms will be phased over a number of years, taking into account technical and human resource capability.
- Strengthen public enterprise reforms by continuing to divest shareholdings in selected enterprises, and improving the efficiencies, accountabilities and performances of public enterprises and statutory agencies, through the *Public Enterprise Act 1996* and the new *Public Finance Management Act (PFMA) 1999*.

Accounting and Auditing in the Fiji Islands

Public sector-led growth was emphasized following independence in 1970. Amidst growing dissatisfaction, the Fiji Islands began to move towards a more open, market-oriented economy in the early 1990s. This move provided impetus for better accounting arrangements and improved financial disclosure.

The economic losses that were incurred when the NBF nearly collapsed emphasized the importance of good financial disclosures, sound corporate governance practices and robust banking supervision

arrangements. In response: (i) the supervision of financial institutions was raised to international standards; (ii) a strengthened monitoring regime has been introduced for public enterprises; and (iii) financial disclosure requirements have been raised through the introduction of International Accounting Standard (IAS) compliant accounting standards.

The ‘Fiji Islands’ Accounting System’ is strongly influenced by British and more recently by international arrangements and practices. However, many aspects of the system are dated. With regards to financial disclosure, a recent study that examined compliance with Fiji Accounting Standards (FASs) favorably concluded that:

“the extent of non-compliance identified in Fiji does not appear any greater than that found in Australia, New Zealand, the United Kingdom and the United States. This is in spite of a weak monitoring system and lack of sanctions at the disposal of the Fiji Institute of Accountants (FIA).”²

The effectiveness of accounting and auditing arrangements is undermined by the ongoing emigration of skilled accounting personnel—this trend accelerated following the events of May 2000. Consequently, many accountancy positions are vacant or are filled with less-than-suitably-qualified and experienced personnel. The problem is particularly acute in the core public sector, which is generally unable to pay accountants at prevailing market rates.

The Auditor General heads the Office of the Auditor General (OAG), which is the Supreme Audit Institution (SAI) of the Fiji Islands. To be effective, an SAI must be staffed with well-qualified and experienced professionals. The Ministry of Finance and Planning (MOFANP) and the Public Service Commission (PSC) have supported the OAG’s efforts to strengthen its capacity—the OAG now offers competitive pay rates—at least for entry-level positions. Moreover, the Minimum Qualification Requirement (MQR) for OAG auditors has been raised—all recent OAG recruits are accounting graduates. The Auditor General actively encourages existing staff to undertake tertiary studies and professional training. These efforts have been successful—whereas the OAG employed just three graduates in 1996, 70 percent of staff now hold qualifications. The Auditor General intends that all staff will be qualified by 2003.

² Pathik, Kushilliya. December 1999. *Extent of Non-compliance with Fiji Accounting Standards: A Survey of Public Companies and Statutory Authorities*. University of the South Pacific: Unpublished Manuscript. p. iv.

Professional Infrastructure

The Public Accountants Registration Board was established in 1963 to register and supervise accountants. But it had limited supervisory powers and was ineffective in developing the Fiji Islands' accountancy profession. Registered accountant numbers grew from just 13 in 1963 to only 40 by 1970. In response to lobbying from practicing accountants, the Government approved the *Fiji Institute of Accountants (FIA) Act 1971*.

The FIA was subsequently established and now has around 500 members in six categories: chartered accountants in public practice, chartered accountants, provisional members, affiliate accountants, licensed accountants and student members.

The Institute conducts continuing professional education (CPE) activities and has recently reached agreement with the Australian Society of Certified Practising Accountants (ASCPA) and the Institute of Chartered Accountants of New Zealand (ICANZ) on CPE course delivery within the Fiji Islands. Furthermore, the FIA Annual Congress—which was first held in 1973—is not only a landmark event on the Fiji Islands' business and government calendar, but also provides almost half of the Institute's revenue.

Today, despite its small size and limited resources, the Institute has developed into a strong and effective professional body. Its success is attributable to a small hard core of dedicated professionals with extensive support from the larger accountancy firms.

But the Fiji Islands' accountancy profession faces two major challenges. First, not only does the continued emigration of qualified accountants—which accelerated after the events of May 2000—have considerable social and economic implications, it also directly affects FIA's ability to maintain critical mass and saps the Institute's resources. Second, globalization has brought about major changes in professional requirements and in accounting and auditing standards. While these changes are largely transitory, the FIA must respond within its limited resources. To this end, the Institute has developed, and started implementing, a *Corporate Plan*. The Plan details six key result areas and associated action plans.

Registered Tax Agents (RTAs) are registered with the *Tax Registration Board* (TRB) of the Fiji Islands Revenue and Customs Authority (FIRCA) and advise clients on taxation matters. Some RTAs also provide accountancy services to small businesses. However, RTA qualification requirements are currently quite low, but FIA—through its representation on the TRB—is supporting moves to improve these requirements.

The 1987 turmoil triggered an exodus of professionals from the Fiji Islands' public sector. In recognition of the need to strengthen public sector financial management, significant efforts have been made in the past five years to professionalize the government accounting cadre. The 1998 founding of the Institute of Public Sector Accountants of Fiji (IPSAF) is one such initiative. IPSAF convenes an annual conference and provides some support for professional training activities for members.

Accounting and Auditing Standards

The FIA began issuing non-mandatory *Recommendations on Accounting Practice* shortly after its establishment. The first FAS was issued in 1976—by 1998, there were 28 FASs. These FASs were primarily IAS-based, but had an Australian or New Zealand influence where the Institute considered this suitable for Fiji Islands' conditions.

FIA's Accounting and Auditing Standards Committee (AASC) recommends the promulgation of accounting and auditing standards to the Institute's Council. The Council approves and promulgates standards. In January 1999, the Council agreed (in principle) to adopt IASs and International Standards on Auditing (ISAs) as the basis for completely revised sets of Fiji Accounting and Auditing Standards. To this end, a comparative review of IASs and FASs began in November 1999 and was completed in 2001 with revised IAS-compliant FASs being issued.

Three FAS-related issues deserve attention. Other DMCs should be encouraged to examine the Fiji Islands' approach. First, the International Accounting Standards Board (IASB) holds exclusive copyright over IASs. In this respect, the FIA has negotiated a license for their usage. Second, FASs include a section that clearly identifies differences from the IAS text. Third, the IASB has been working on developing a differential financial reporting regime since 1998—in the Fiji Islands, only the more complex FASs apply to larger and publicly accountable organizations.

With the release of the revised FASs, priority has now shifted to reviewing ISAs and International Auditing Practice Statements (IAPSS) for their application in the Fiji Islands. By January 2002, the AASC had reviewed 26 of the existing ISAs and IAPSS. The exercise should be completed by December 2002 after which the AASC intends to realign Fiji Standards on Auditing (FSAs) and Fiji Auditing Practice Statements (FAPSS) with ISAs and IAPSS every three years.

Education and Training

There is high and increasing demand for accountancy education—particularly since the events of May 2000. Among other things, this reflects: (i) well-paying employment positions that emigrants have vacated; and (ii) the international acceptability of accountancy qualifications.

The Fiji Islands' accountancy education infrastructure comprises three key domestic institutions: the University of the South Pacific (USP), the Fiji Institute of Technology (FIT) and the Fiji National Training Council (FNTC). Each plays a different role.

Established in 1968, USP has 12 member countries: Cook Islands, Fiji Islands, Kiribati, Marshall Islands, Nauru, Niue, Samoa, Solomon Islands, Tokelau, Tonga, Tuvalu, and Vanuatu. USP's distance education program delivers academic courses throughout the member countries.

USP's Department of Accounting and Financial Management is recognized for its high academic standards: it offers undergraduate and postgraduate degrees in accounting and financial management. While the number of students being taught by the Department is increasing rapidly, the Department faces problems filling vacancies—the net effect is that Student-Staff ratios have deteriorated significantly in the past two years.

FIT provides technical and vocational education and training. FIT's School of Commerce had around 1,700 Equivalent Full Time Students (EFTS) in 2001—there has been a noticeable increase in the number of public sector accountants undertaking courses during the past four years.

FNTC is a tripartite body, comprising representatives from government, employers and employee unions. FNTC contracts training providers—such as Western Sydney Institute of Technology of NSW—to provide a variety of accounting courses.

A plethora of foreign (mainly Australian and New Zealand) education providers have established operations in the Fiji Islands. These institutions offer technician-level accountancy qualifications. While the quality of education offered by some of these institutions has been questioned—given their small size and limited resources (for instance, library materials)—their qualifications are extremely attractive due to the inherent emigration possibilities.

In the public sector, the Government appears committed to strengthening the qualifications and skills of accounting personnel. Civil servants performing accounting duties must successfully complete public service examinations prior to their employment or promotion. This requirement is waived where the officer has a recognized academic

qualification (for instance, a USP accountancy degree). The examination syllabi differ from those for academic accountancy qualification.

In 2000, the Permanent Secretary for Finance established the Ministry of Finance and National Planning (MOFANP) Training Committee on the basis that “there is an urgent need to update the qualifications and skills of existing staff especially in view of the upcoming reforms, technological advancement and changing management needs. Strategically, they must be equipped with appropriate skills and basic qualifications to enable them to meet the challenges of professionalism with efficiency, effectiveness, innovation and independence.” The Training Committee has developed a Training Policy, but recognizes that a thorough training-needs analysis must first be conducted to determine training requirements in relation to: (i) organizational needs; (ii) occupational needs; and (iii) individual needs.

Government Budgeting and Accounting

The Fiji Islands has a large and pervasive public sector, with high and growing public debt levels. The 2002 Budget signaled a significant loosening of fiscal policy with the intention of supporting higher levels of economic growth.

A cash basis of accounting is used in central government. However, the Government has signaled its intention to move to the accrual basis of accounting in the medium term. To support improvements, the government has procured, and is implementing SAP, a sophisticated computer system. It will be progressively implemented over a period of some years.

The government accounting / finance cadre comprises several levels—appointments and promotions are based upon experience and civil service examinations (the examination requirement is waived where personnel hold relevant academic qualifications). Few members of the accounting cadre hold formal accounting qualifications and, as of 31 December 2001, only 15 civil servants were full members of the FIA.

The Government is placing increased emphasis on training and has indicated that significant numbers of accountants will be recruited and deployed within the public sector. But, in addition to losing staff to overseas emigration, the public sector must also compete with the private sector, which also has a shortage of accountants and bookkeepers.

The key changes under the FMR program include: (i) the availability of more accurate, reliable and timely information to support sound decision making; (ii) new banking and cash management systems; and (iii) the adoption of a new *Public Finance Management Act* (PFMA). The former Prime Minister suspended the original FMR program in August 1999, ostensibly

due to concerns about implementation capability and pace. The broad strategy for revived FMR implementation is to implement the SAP software on a cash basis and then gradually move to accrual accounting and decentralization of input controls. However, the renewed FMR program is not starting from scratch—when the program was suspended in 1999, most ministries and departments had already prepared balance sheets and forecast financial statements, and had specified and costed outputs.

Donor Assistance

In comparison to other Pacific Developing Member Countries (PDMCs), the Fiji Islands is not heavily aid-dependent. Studies of aid-effectiveness have reached differing conclusions. On one hand, a Pacific-wide review contended, "... aid was judged to have been unsuccessful in facilitating growth. Aid had supported large public sectors and involved TA that financed line positions without leading to durable capacity building." On the other hand, a Fiji Islands-specific empirical analysis concluded that bilateral aid, grant aid, and technical cooperation grants have had a significant impact on economic growth in the Fiji Islands. Conversely, the same analysis found that domestic resources did not contribute significantly to economic growth in the Fiji Islands. Whatever the case, many assistance projects were disrupted, curtailed or suspended following the events of May 2000.

To 31 August 2001, ADB had provided 13 loans totaling \$161.1 million and technical assistance (TA) grants totaling \$18.9 million, since the Fiji Islands joined ADB in 1970. ADB is supporting broad governance activities through TA and loans. Directly relevant activities include:

- Ongoing support to the Pacific Financial Technical Assistance Center (PFTAC). ADB provided \$2.76 million support to PFTAC during 1994–2001.
- Proposed TA: 33129-01: *Institutional Strengthening of the Capital Market Development Authority (CMDA) and South Pacific Stock Exchange (SPSE)* (\$200,000). This project is intended to support the development of an effective capital market in the Fiji Islands through building the capacity of the CMDA and the SPSE.
- TA No. 3436: *Fiji Development Bank (FDB) Review* (\$150,000: 2000–2002). This TA will: (i) evaluate FDB performance and procedures; (ii) identify operational obstacles; and (iii) provide recommendations for future improvements to best match with government development perspectives and to make FDB financially self-sustainable and functioning within sound banking practices.

- TA No. 3408: *Preparation of a Medium-Term National Development Plan* (\$150,000: 2001–2002). This project is assisting the MOFANP to prepare a medium-term national development plan that presents government policies and strategies, together with performance indicators. A secondary objective is to formulate a medium-term capital expenditure program.
- TA No. 3391: *Strengthening Debt Management* (\$150,000: 2000–2002). This project is assisting the MOFANP to improve the debt management function from macroeconomic, institutional, financial and data management perspectives.
- TA No. 3242: *Public Enterprise Reform Program (Phase II)* (\$600,000: 2000). This TA supported public enterprise reform efforts, including the development of capacity, particularly in accounting, financial analysis, economics, commercial valuation, corporate governance and privatization.
- TA No. 3155: *Strengthening Public Enterprise Reform (Phase I)* (\$150,000: 1999–2000). This TA supported capacity building in the Department of Public Enterprises concerning policy analysis, formulation and execution capacities for public enterprise reforms.
- TA No. 2463: *Institutional Strengthening of the OAG* (\$550,000: 1996–1997). This project supported improvements to OAG procedures and practices.
- TA No. 2399: *Institutional Strengthening of Fiji Electricity Authority (FEA)* (\$450,000: 1995–1996). This TA supported an examination of FEA’s operational efficiency before its corporatization and commercialization.

The **World Bank** has not directly focused on improving financial governance arrangements over the past few years. The United Nations Development Programme (**UNDP**) has supported improvements to the Fiji Islands’ aid coordination mechanism and contributes to the PFTAC. The Suva-based PFTAC advises PDMCs on budget management, tax administration, banking supervision, balance of payments, and national accounts statistics. The International Monetary Fund (**IMF**) manages PFTAC; funders include ADB, AusAID, IMF, NZAID and UNDP.

The Australian Agency for International Development (**AusAID**) is supporting significant projects in the health, education, and community-based sectors—these projects include aspects of financial management. In relation to core financial governance, AusAID is providing long-term assistance (1999–2004) to improve Fiji’s revenue base. Furthermore, the Fiji Institute of Accountants’ *Corporate Plan 2001–2006* was developed with

assistance from AESOP Business Volunteers (partially supported by AusAID).

The European Union (EU), through the *National Indicative Program*, is concentrating on human resources development and environmental issues. With regards to financial governance, EU is focusing on strengthening vocational training institutes, and improving planning and management capabilities in the national administration. The New Zealand Agency for International Development (NZAID) provided support for the suspended *Financial Management Reform* (FMR) program—particularly advice on the development of the enabling legislation; the *PFMA 1999*.

Issues and Recommendations

This Diagnostic Study of Accounting and Auditing (DSAA) identifies issues and recommendations that are associated with gaps or weaknesses in accounting and auditing arrangements. These recommendations are intended to supplement and support existing strategies and projects. Where actions are already planned or underway—for instance, upgrading information systems—no recommendations are made. Issues are separated into: (i) those that are able to be resolved without external assistance; and (ii) those that are better able to be resolved with external assistance.

The study concludes that while Fiji Islands' accounting and auditing arrangements compare well with those of other countries, improvements could be made in two broad areas:

- Preemptive legislative and institutional actions would strengthen **financial reporting arrangements**. These actions include enhancing disclosure requirements and monitoring compliance with those requirements.
- Together with other PDMCs, the Fiji Islands lacks appropriate **professional certifications for bookkeepers and accountants**—particularly those in the public sector. To this end, this study recommends establishing appropriate Pacific-wide professional certifications for bookkeepers and accountants.